

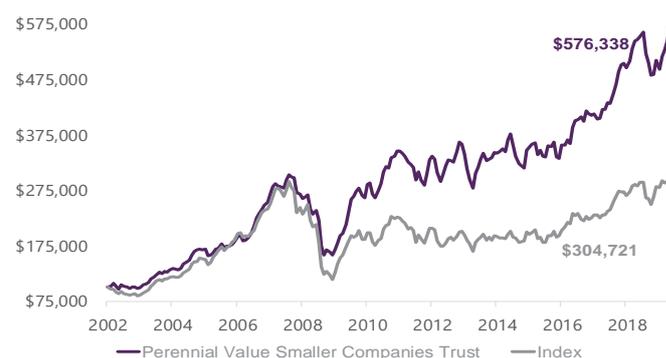
	Month (%)	Quarter (%)	FYTD (%)	1 Year (% p.a.)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception (%p.a.)
Perennial Value Smaller Companies Trust (Net)	5.8	11.4	5.8	5.2	14.0	9.5	10.6
S&P/ASX Small Ordinaries Accum. Index	4.5	4.1	4.5	7.6	9.3	9.2	6.6
Value Added (Detracted)	1.3	7.3	1.3	-2.4	4.7	0.3	4.0

^ Since inception: March 2002. Past performance is not a reliable indicator of future performance.

Overview

- The Trust was up 5.8% net of fees outperforming the Small Ordinaries Accumulation Index (the Index) return which was up 4.5%.
- It was pleasing to see another investor realise the value we have long seen in the assets of Pacific Energy with a bid from QIC at a 35.4% premium to the previous close (the stock was up 42.3% for the month)
- Given the low risk to the Pacific Energy bid proceeding we have maintained our position and see this as adding to our defensive positioning, something which we are focusing on given the strong run in share prices recently (as an example property trust Abacus was added during the month for its defensive attributes)
- Redbubble (+54.7%) and Atomos (+33.5%) contributed to performance while Speedcast (+45.8%) was a detractor
- The portfolio represents solid value at 12.3x FY20 earnings and a gross yield of 4.6%. By comparison the Index looks expensive at 17.5x
- Note that a distribution of 4.0 cents per unit was paid during the month

Growth of \$100,000 Since Inception



Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Top 10 Positions

	Trust (%)	Index (%)
PACIFIC ENERGY LTD	4.6	0.0
PWR HOLDINGS LTD	3.6	0.0
INTEGRAL DIAGNOSTICS LTD	3.4	0.0
SRG GLOBAL LTD	3.3	0.0
NAVIGATOR GLOBAL INVESTMENTS	3.2	0.2
CODAN LTD	3.2	0.0
SPEEDCAST INTERNATIONAL LTD	3.0	0.2
AUSDRILL LTD	2.9	0.5
NATIONAL VETERINARY CARE LTD	2.8	0.0
EML PAYMENTS LTD	2.7	0.4

Perennial Value Smaller Companies Trust

The aim of the Trust is to grow the value of your investment over the long term by investing in a portfolio of listed Australian companies predominantly outside the S&P/ASX Top 100 Index, and to provide a total return (after fees) that exceeds the S&P/ASX Small Ordinaries Accumulation Index measured on a rolling three-year basis.

Portfolio Managers Trust FUM
Andrew Smith and Julian Guido AUD \$159 million

Distribution Frequency Minimum Initial Investment
Half yearly \$25,000

Trust Inception Date Fees
March 2002 1.20% + Perf fee

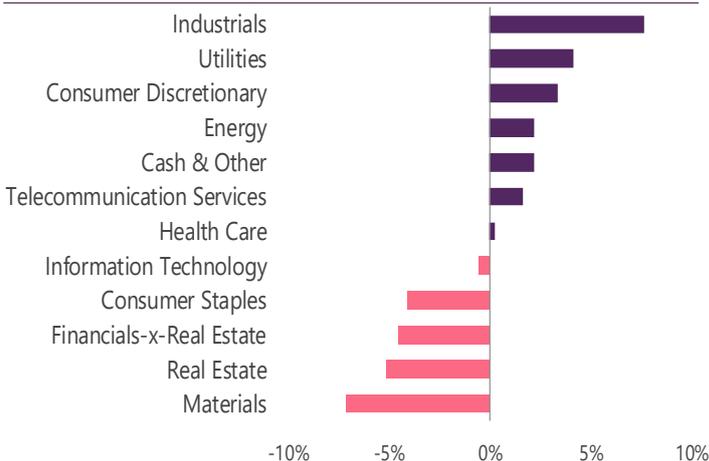
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Portfolio Characteristics – FY20	Trust	Index
Price to Earnings (x)	12.3	17.5
Price to Free Cash Flow (x)	9.9	16.4
Gross Yield (%)	4.6	4.1
Price to NTA (x)	2.2	2.4

Source: Perennial Value Management. As at 31 July 2019

The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

Sector Active Exposure vs Index



Trust Review

The Trust was up 5.8% net of fees outperforming the Small Ordinaries Accumulation Index (the Index) return which was up 4.5%.

Pacific Energy received a bid from QIC of \$0.96 per share with a 1.5c dividend equating to a 35.4% premium to the previous close. As a result of this and an earlier contract win the stock was up 42.3% for the month.

Pacific Energy was first added to the Trust in April 2010 at 25c via a placement. We were attracted to the defensive yet growing earnings stream provided by the remote power operations. Since then we have received dividends of \$0.13, generating a respectable 18.0% p.a total return over the holding period.

Given the low risk to the Pacific Energy bid proceeding we have maintained our position and see this as adding to our defensive positioning, something which we are focusing on given the strong run in share prices recently (as an example property trust Abacus was added during the month for its defensive attributes).

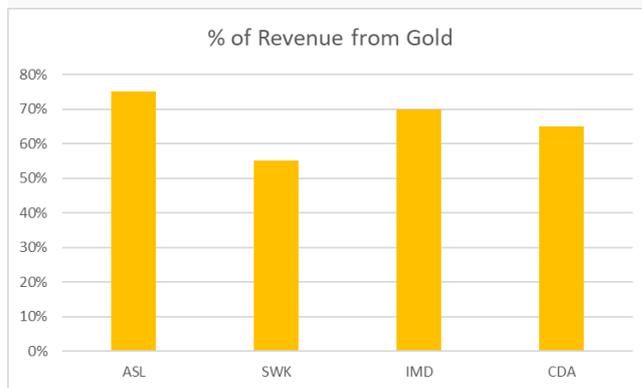
At the end of the previous month we opportunistically added **Atomos** (a camera technology provider) to the Trust via a placement and sell-down at \$1.00, it was up +38.0% in July to a closing price of \$1.38.

We first identified this stock as a pre-IPO opportunity via our Microcap strategy so we already had a detailed knowledge of the business and were prepared for when the liquidity event arrived late last month – a good example of the synergies between the Small and Microcap strategies.

We switched our gold exposure to **St Barbara** (+25.9%) and were rewarded as the stock recovered from an oversold position.

Similarly **Redbubble** (+54.7%) rebounded as investors forgot the disappointment from the 1H19 result and focused on the strong cost management which resulted in 2H19 earnings beating expectations.

Other stocks recovering from oversold positions included **Calix** (+24.8%), **Revasum** (+17.3%) and **Bapcor** (+12.4%). We had recently added **QMS** to the Trust and thus benefited from the +18.8% move in the share price reflecting stronger industry data for outdoor advertising.



Source: PVM estimated revenue exposure for mining service names

As per last month's commentary we believe gold is an attractive asset in the current market environment however gold equities have already run hard. As a result we have been seeing more upside in the those mining services companies with a large exposure to gold customers. Given our large exposure here it was pleasing to see names such as **Ausdrill** (+8.2%), **Codan** (+16.4%) and **Swick** (+13.0%) now also grabbing the attention of other investors.

A key detractor during the month was **Speedcast** (-45.8%) with an earnings downgrade reflecting technical issues in the ramp up of the Carnival contract and delays to expected government work. Both issues seem of a short term nature and yet the market value of the business has dropped materially as a result – no doubt reflecting the loss in confidence in the current management team and high debt levels (with new covenants agreed during the month). Removing emotion from the situation we view the over-reaction as an opportunity so have increased our holding meaningfully.

Navigator and Metals X (both -12.2%) also provided mixed results.

At month end we held 61 positions and cash of 2.2%.

Market Review – Australia (%)

S&P/ASX Small Ordinaries Index	+4.5
Energy	+7.4
Materials	+7.8
Industrials	+4.4
Consumer Discretionary	+5.6
Health Care	+4.2
Financials-x-Real Estate	+3.0
Real Estate	+3.5
Information Technology	+6.8
Telecommunication Services	+2.4
Utilities	-1.8

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